

# **Tobin & Co.**

Peninsula Community Library  
Grand Traverse County, Michigan  
Audit Report  
For the Year Ended June 30, 2008

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* Peninsula Community Library	County* Grand Traverse	Type* Library	MuniCode*
Opinion Date-Use Calendar* 11/25/08	Audit Submitted-Use Calendar* 12/22/08	Fiscal Year End Month* June	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GA5B 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies?
	<input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	? 213920
General Fund Expenditure:	? 171726
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? 433095
Governmental Activities Long-Term Debt (see instructions):	? -0-

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* DAVID	Last Name* BASLER	Ten Digit License Number* 1101013418		
CPA Street Address* 400 E. Eighth St.	City* Traverse City	State* MI	Zip Code* 49686	Telephone* 231 947-0151
CPA Firm Name* Tobin & Co., PC	Unit's Street Address*	Unit's City*	Unit's Zip*	

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INTRODUCTORY SECTION

# **Tobin & Co.**

## Comments and Recommendations

We have examined the basic financial statements and the individual fund financial statements of Peninsula Community Library, Grand Traverse County, for the year ended June 30, 2008 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Library's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Library's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Peninsula Community Library taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

### Organization and Function

The Peninsula Community Library is organized in accordance with State statutes. It serves residents of Peninsula Township. It is recognized as a public library by the State Library Board to which it submits annual reports. The Public Library is governed by a board elected by the Peninsula Township residents. The Board meets monthly.

The Library has numerous volumes available for loan to users. Users must be registered with the Library. No fines are assessed for overdue books, but follow-up procedures have been adopted and are enforced.

Revenues consist of an appropriation from the Traverse Area District Library, penal fines assessed by the County court, State aid, earned interest, donations, and other miscellaneous income.

### Accounting Records and Procedures

In general, accounting records were maintained in very good order. Recorded revenues were deposited timely and intact. Bank accounts were reconciled on a monthly basis. Our testing disclosed that disbursements were supported by itemized invoices.

The Librarian maintains a receipts and disbursements journal which also reflects the balance in the bank at all times. Income and expenses are posted monthly from the journal to individual ledger accounts from which periodic and annual financial statements are prepared.

### Board Minutes

Board minutes were maintained in good order and kept in a separate binder.

### Budgets and Procedures

A budget for the General Operating Fund was prepared and amended as required by law.

### Insurance and Surety Bond Coverage

Records indicate that the Library has such insurance coverage as fire and extended coverage for buildings, collections, and equipment, general liability and workmen's compensation. We were informed that coverage was reviewed during the audit year. The Treasurer and bookkeeper are each bonded for \$100,000.

After completion of our audit, we will mail the necessary copies of our report to the State Department of Treasury.

We appreciate the courtesy extended our field examiner in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

# **Tobin & Co.**

## FINANCIAL SECTION

# Tobin & Co.

## REPORT OF INDEPENDENT AUDITOR

To the Library Board  
Peninsula Community Library  
Grand Traverse County  
Traverse City, Michigan 49686

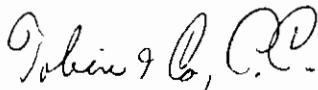
We have audited the basic financial statements of Peninsula Community Library, Grand Traverse County, as of and for the year ended June 30, 2008, as listed in the table of contents. These basic financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of such funds of Peninsula Community Library, Grand Traverse County at June 30, 2008, and the results of operations in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the GASB. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. The supplemental information has been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



TOBIN & CO., P.C.  
Certified Public Accountants  
November 25, 2008

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## **PENINSULA COMMUNITY LIBRARY MANAGEMENT DISCUSSION AND ANALYSIS**

### **Relationship of Financial Statements**

The basic financial statements contained herein include information that presents two different views of the Library using the modified-accrual and full accrual methods.

The individual fund balance sheet/statement of net assets and the individual fund statement of revenue, expenditures and changes in fund balance/statement of activities include information about the Library's General Fund under the modified-accrual/full accrual method.

The modified-accrual method focuses on current financial resources. The full-accrual method focuses on long-term economic resources and presents a statement of not only how services were financed in the short-term, but also what remains for future spending. Under the former system, capital outlay is an expense. Under the latter system, capital outlay is capitalized as an asset, resulting in a statement of more net assets.

Under the previous system of fund-based statements, the Library has traditionally accounted for compensated absences under General Long Term Debt. Under GASB 34 requirements, these are now reflected in the statement of net assets.

Where appropriate, comparisons have been made to last year's expenditures.

### **The Library as a Whole**

The Library's net assets increased by \$49,881 this year over the previous fiscal year. The Library's primary source of revenue is provided by the Traverse Area District Library through an associate library agreement with the District Library to provide library services to the people of Peninsula Township. Under the agreement, the District Library provides an amount not less than .3 mills of the State equalized valuation of taxable property within Peninsula Township to the Peninsula Community Library. This amount was approximately 73.3% of the year's revenue. This amount is about 6.3% higher than last year due to an increase in assessed property values. Other major sources of revenue include penal fines, State Aid and patron donations. Several restricted patron donations were made this year toward children's programming and the Library garden.

Salaries and related payroll liabilities account for the largest expense in the Library's budget, which equated to approximately 50.8% of total expenditures. This compares with 48.3% last year. Pension plans are offered to the Director and Assistant Director. Employer contributions amount to approximately 13% of covered payroll. Employee contributions were made for the year in the amount of \$1,150.00. Reimbursement for health insurance is offered to the Director up to \$2,400.00 or deferred compensation in the same amount in lieu of health insurance. The Assistant Director is offered reimbursement for health insurance on a pro-rated basis according to hours worked. For the 2007-2008 fiscal year, the Director chose deferred compensation.

The largest non-salary related expenditures are for collection expenditures on books, periodicals and audio-visual materials. These amount to approximately 18.7% of the budget, compared to 14.8% in 2006-2007.

### **The Library Funds**

The Library uses a General Fund to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Library. Revenues, as noted, are derived mainly from property taxes and other intergovernmental revenues. Peninsula Township maintains a trust account for the Library and acts as the financial agent of the Library.

### **The Library's Budgetary Highlights**

Over the course of the year, the Library Board of Trustees amended the General Fund's budget to address unplanned needs that occurred during the year. The General Fund budget reflected the Library Board's goals in increase collection acquisition and to bring the director's salary up to a level more equitable with other libraries of similar size and economic standing. Taken into consideration is the fact that the Director also acts as business manager, a task not assigned to previous directors at this library. Capital purchases this year included an irrigation system for the garden which was paid for with a restricted donation, a mobile shelving display unit, a PlayScape cube for the children's play area and a Wii game system. A restricted donation was also made toward Latino programming. Those funds were used to purchase an English As A Second Language DVD program.

Revenues were higher than budgeted due to donations, higher property tax assessments (up \$9,242.00 from the previous year), and significantly higher than anticipated interest earnings.



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## **Capital Assets and Long Term Debt Activity**

At the end of the fiscal year, the Library had \$398,239 invested in land, furniture, equipment, books, and audio-visual materials. The land is currently unimproved upon. The Library rents its space from Traverse City Area Public Schools at below market rate of \$6,000.00 annually. Along with the school media center, the Library functions as a dual-use township/school library within Old Mission Peninsula School. The Library operates beyond the normal school day.

The Library's long-term debt activity consists of capped accumulated compensation employee absences (sick leave, vacation and personal days) for the Director and Assistant Director. When either of these employees terminates employment, they shall be paid one half of the cumulative sick time not to exceed 30 days. Compensatory and vacation time shall be used by the end of every calendar year with the exception that one week may be carried over into the following year. Compensated absences account for \$2,610.00 of the fiscal year's long-term debt activity.

## **Next Year's Anticipated Budget Factors**

With intent toward continuing to reflect the community center that the Library has become, the Library Board of Trustees has turned its efforts toward more public programming, including sponsorship of outreach programs to the area's Hispanic population, senior citizens, teens and school children. They will continue to increase the Library's audio-visual and book collections in response to public demand. As Traverse City Area Public Schools struggles with budgetary cuts, the Library's Board of Trustees anticipates stepping in to fill some of the library needs of students at Old Mission Peninsula School in areas where they are affected by the school district's budget cuts.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Victoria Shurly, Library Director, at 2735 Island View Road, Traverse City, MI 49686, phone (231) 223-7700.

# Tobin & Co.

## Peninsula Community Library Statement of Net Assets and Governmental Fund Balance Sheet June 30, 2008

	General Fund	Adjustments (Note 3)	Statement of Net Assets
<u>Assets</u>			
Cash	\$ 14,901	\$ -	\$ 14,901
Receivables	26,243	-	26,243
Due from Peninsula Township	392,951	-	392,951
Prepaid Expenses	515	-	515
Land	-	50,000	50,000
Other Capital Assets, Net of Accumulated Depreciation	-	111,424	111,424
Total Assets	<u>\$ 434,610</u>	<u>161,424</u>	<u>596,034</u>
<u>Liabilities</u>			
Accounts Payable	\$ 432	-	432
Compensated Absences – Current	1,083	-	1,083
Compensated Absences – Long-term	-	2,610	2,610
Total Liabilities	<u>1,515</u>	<u>2,610</u>	<u>4,125</u>
<u>Fund Balances/Net Assets</u>			
Fund Balance			
Unrestricted	<u>433,095</u>	<u>(433,095)</u>	<u>-</u>
Total Fund Balances	<u>433,095</u>	<u>(433,095)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 434,610</u>		
<u>Net Assets</u>			
Invested in Capital Assets		161,424	161,424
Unrestricted		<u>430,485</u>	<u>430,485</u>
Total Net Assets		<u>\$ 591,909</u>	<u>\$ 591,909</u>

See Accompanying Notes to Basic Financial Statements

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## Peninsula Community Library Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balances For the Year Ended June 30, 2008

	General Fund	Adjustments (Note 4)	Statement of Activities
<u>Expenditures/Expenses:</u>			
Salaries and Wages	\$ 87,763	\$ 766	\$ 88,529
Life Insurance	285	-	285
Health Insurance	1,680	-	1,680
Social Security/Medicare	6,681	-	6,681
Pension	7,787	-	7,787
Supplies	4,710	-	4,710
Books and Periodicals	23,693	(5,863)	17,830
Audiovisuals	8,556	(2,488)	6,068
Insurance	3,247	-	3,247
Audit Fees	3,845	-	3,845
Membership and Dues	2,011	-	2,011
Contract Maintenance	217	-	217
Communications/Telephone	1,418	-	1,418
Mileage	446	-	446
Community Promotions	2,818	-	2,818
Activities	3,550	-	3,550
Repairs and Maintenance	378	-	378
Rent	6,000	-	6,000
Education and Training	698	-	698
Other	640	-	640
Capital Outlay	<u>6,303</u>	<u>(1,102)</u>	<u>5,201</u>
Total Expenditures/Expenses	<u>172,726</u>	<u>(8,687)</u>	<u>164,039</u>
<u>Program Revenues:</u>			
Charges for Services	1,002	-	1,002
Operating Grants and Contributions	193,636	-	<u>193,636</u>
Total Program Revenues			<u>194,638</u>
Net Program Revenues (Expenses)			30,599
<u>General Revenues:</u>			
Interest	18,872	-	18,872
Other	<u>410</u>	-	<u>410</u>
Excess Revenues (Expenditures)	41,194	(41,194)	
Change in Net Assets		49,881	49,881
<u>Fund Balance/Net Assets:</u>			
Beginning of the Year	369,107	150,127	519,234
Prior Period Adjustment	<u>22,794</u>	<u>-</u>	<u>22,794</u>
End of the Year	<u>\$ 433,095</u>	<u>\$ 150,127</u>	<u>\$ 591,909</u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

## Peninsula Community Library Notes to Financial Statements June 30, 2008

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

Peninsula Community Library is located in Grand Traverse County and serves the residents of Peninsula Township.

The Library's basic financial statements include the accounts of all Library operations. The criteria for including organizations within the Library's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*", includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

#### B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Library. Governmental activities are supported by taxes and intergovernmental revenues and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Other items not properly included among program revenues are reported instead as general revenues.

The financial activities of the Library are also reported in a separate self-balancing governmental fund described as follows:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Library. Revenues are derived primarily from penal fines, state aid, and local unit appropriations.

#### C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition of all Library Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

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Peninsula Community Library  
Notes to Financial Statements  
June 30, 2008

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### D. Budgets

The General Fund is under formal budgetary control. Budgets shown in the required supplementary schedule for this fund were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Library.

For budgetary purposes appropriations lapse at fiscal year end.

### E. Capital Assets

Capital assets, which includes property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$200 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Leasehold Improvements	20 years
Furniture and Equipment	2-30 years
Collections	6 years

### F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at June 30, 2008.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended June 30, 2008, no line item exceeded its appropriation without formal budget amendment.

## NOTE 3 - EXPLANATION OF CERTAIN ADJUSTMENTS BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS

Net capital assets of \$161,424 used in governmental activities are not financial resources and therefore are not reported in the fund.

Long-term liabilities (compensated absences of \$2,610) applicable to the Library's governmental activities are not due and payable in the current period and accordingly are not recorded as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

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Peninsula Community Library  
Notes to Financial Statements  
June 30, 2008

**NOTE 4 - EXPLANATION OF CERTAIN ADJUSTMENTS BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE STATEMENT OF ACTIVITIES**

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. Capital outlay for Library materials exceeded depreciation by \$8,351 for the year. Capital outlay for furniture, equipment and leasehold improvements exceeded depreciation by \$1,102 for the period.

Long-term compensated absence expenditures in the general fund required the use of \$766 of current financial resources less than those reported in the statement of activities.

**NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS**

**A. Legal Provisions for Deposits and Investments**

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Library, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

**B. Types of Deposits**

The Library had \$29,548 deposited with a local financial institution at June 30, 2008 with a carrying value of \$14,901. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Library had no uninsured deposits at June 30, 2008.

**NOTE 6 - DUE FROM PENINSULA TOWNSHIP**

Peninsula Township maintains a trust account for the Library and acts as the financial agent of the Library. This trust account held \$392,951 of the Library monies as of June 30, 2008.

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## Peninsula Community Library Notes to Financial Statements June 30, 2008

### NOTE 7 - CAPITAL ASSETS

Capital assets of governmental activities consisted of the following:

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
Assets Not Being Depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Other Capital Assets:				
Leasehold Improvements	\$ 4,123	\$ 2,700	\$ -	\$ 6,823
Collection	270,061	28,718	19,736	279,043
Furniture and Equipment	59,171	3,202	-	62,373
Total	333,355	34,620	19,736	348,239
Accumulated Depreciation	(231,384)	(25,167)	(19,736)	(236,815)
Net Other Capital Assets	\$ 101,971	\$ 9,453	\$ -	\$ 111,424

### NOTE 8 - INVENTORIES

Peninsula Community Library does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

### NOTE 9 - INTERGOVERNMENTAL REVENUE

Traverse Area District Library provides an amount not less than .3 mills of the State equalized valuation of taxable property within Peninsula Township to Peninsula Community Library. Peninsula Community Library entered into an associate library agreement with the District Library to provide enhanced library services. Revenue for the twelve months ended June 30, 2008 was \$156,741.

### NOTE 10 - PENSION PLAN

The Library participates in Peninsula Township's defined contribution (money purchase) pension plan through John Hancock Life Insurance Company. The plan covers substantially all employees with the exception of seasonal employees. The amount of covered payroll for the Library for the year ended June 30, 2008 was \$60,014. Total payroll for the year ended June 30, 2008 was \$87,338. Employer contributions are based upon a percentage of annual payroll. Employees may make additional contributions if they so desire. Employees are vested 100% in employer contributions after 20 months of service.

The Library fully funded its required contribution for the year ended June 30, 2008. Current year employer contributions amounted to \$7,287, or 13% of the covered payroll. There were \$1,150 of employee contributions this year.

None of the plan's assets are invested in the Township securities or those of related parties. There are no loans from the plan to the Township.

### NOTE 11 - CONTINGENT LIABILITIES

There are no known contingent liabilities of the Library.

# Tobin & Co.

## Peninsula Community Library Notes to Financial Statements June 30, 2008

### NOTE 12- LEASES

The Library has entered into a lease agreement with Traverse City Area Public Schools for the use of a portion of the Old Mission Peninsula School to be used as an operating location for the Library. Annual rental charges of \$6,000 is payable on or before February 20<sup>th</sup> of each school year. The agreement is effective July 1, 2006 through June 30, 2009 unless written notice of a request to review the agreement is given by either party to the other party by March 15<sup>th</sup> of each year the contract is in effect. Total rental expense for the 2007-2008 fiscal year amounted to \$6,000.

### NOTE 13- COMPENSATED ABSENCES

Employees may use their accumulated compensated absences for vacation, illness, or personal days off. An employee who terminates services will be paid one-half of the cumulative sick time not to exceed 30 days. Compensatory and vacation time shall be used by the end of every fiscal year with the exception that five days may be carried into the following year.

### NOTE 14- RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Library addressed these risks through the purchase of commercial insurance through the Michigan Municipal League. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

### NOTE 15- TRUST FUNDS

The Peninsula Community Library is the beneficiary of a fund established at the Grand Traverse Regional Community Foundation. No amounts were transferred to the fund by the Library during the year ended June 30, 2008. No income was received from this fund during the year. Total assets in the fund at June 30, 2008 amounted to \$68,054 of which \$15,297 is available for distribution upon recommendation of a fund advisory board, subject to a variance power held by the Foundation. \$52,757 is held in a permanent endowment fund and is not available for distribution. The assets held in the fund, which belong to the Community Foundation, are not recorded in the financial statements of the Peninsula Community Library. They are subject to a variance power held by the Foundation which allows the Foundation, in its sole discretion, to change the beneficiary or withhold amounts from distribution.

### NOTE 16- DEFERRED COMPENSATION PLAN

The Library offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by Nationwide Retirement Solutions. The plan, available to all Library employees, permits them to defer a portion of their salary until future years.

All amounts of compensation deferred, all property and rights purchased, and all income, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries.

### NOTE 17- LONG TERM DEBT

Summary of long-term debt transactions:	Balance 6/30/07	Increases	Balance 6/30/08
Compensated absences	\$ 1,844	\$ 766	\$ 2,610

### NOTE 18- PRIOR PERIOD ADJUSTMENT

The prior period adjustment corrects the recognition of penal fine revenues from cash to accrual basis.



SUPPLEMENTAL DATA SECTION

# Tobin & Co.

Peninsula Community Library  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended June 30, 2008

Schedule 1  
Page 1

Revenues	Budgetary Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Contributions from Local Units:				
District Library	\$ 157,156	\$ 157,156	\$ 156,741	\$ (415)
Penal Fines – Grand Traverse County	20,000	20,000	22,631	2,631
State Grants:				
State Aid	-	-	3,601	3,601
Charges for Services:				
Fees	510	510	1,002	492
Interest and Rent:				
Interest	10,000	10,000	18,872	8,872
Other:				
Donations	4,000	7,100	10,663	3,563
Sale of Capital Assets	300	300	410	110
Total Revenues	191,966	195,066	213,920	18,854
Expenditures				
Salaries and Wages	90,000	90,000	87,763	2,237
Life Insurance	400	400	285	115
Health Insurance	-	1,680	1,680	-
Social Security/Medicare	6,862	7,862	6,681	1,181
Pension	9,000	9,000	7,787	1,213
Supplies	4,000	5,000	4,710	290
Books and Periodicals	25,000	25,000	23,693	1,307
Audiovisuals	8,500	9,000	8,556	444
Insurance	6,800	5,620	3,247	2,373
Legal	1,000	1,000	-	1,000
Audit Fees	6,000	6,000	3,845	2,155
Memberships and Dues	3,200	3,200	2,011	1,189
Contract Maintenance	800	800	217	583
Communications/Telephone	1,500	1,500	1,418	82
Mileage	800	800	446	354
Community Promotions	3,500	3,500	2,818	682
Activities	6,000	6,000	3,550	2,450
Repairs and Maintenance	1,000	1,000	378	622
Rent	6,000	6,000	6,000	-
Education and Training	1,300	1,300	698	602
Other	1,500	1,500	640	860
Capital Outlay	5,000	8,100	6,303	1,797
Contingency	3,000	500	-	500
Total Expenditures	191,162	194,762	172,726	22,036
Excess Revenue	\$ 804	\$ 304	41,194	\$ 40,890
Fund Balance – Beginning of Year			369,107	
Prior Period Adjustment			22,794	
Fund Balance – End of Year			\$ 433,095	

The Notes to the Basic Financial Statements are an integral part of this statement.

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# Tobin & Co.

To the Library Board  
Peninsula Community Library

We have audited the financial statements of Peninsula Community Library for the year ended June 30, 2008 and have issued our report thereon dated November 25, 2008. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 5, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable but not absolute assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist but not be detected by us.

As part of our audit, we considered the internal control of Peninsula Community Library. Such consideration was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

## Internal Control

In planning and performing our audit, we considered the internal control over financial reporting of the Library as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to

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initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider each of the following significant deficiencies to be a material weakness.

### Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected in the normal course.

### Reporting Financial Data

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Library has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Library has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Library has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other Libraries of its size.

### Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Peninsula Community Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-2008. We noted no transactions entered into by the Library during the year that were both significant and

## **Tobin & Co.**

unusual and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. However, none of management's estimates are considered to be particularly sensitive.

### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Library's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Library, either individually or in the aggregate, indicates matters that could have a significant effect on the Library's financial reporting process.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Library's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **Tobin & Co.**

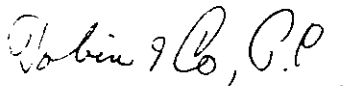
### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### No Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Library Board and management of Peninsula Community Library and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Tobin & Co., P.C.".

Tobin & Co., P.C.

November 25, 2008